

ORIGINAL

RECEIVED

BEFORE THE
Federal Communications Commission
WASHINGTON, DC 20554

JAN 25 1995

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Amendment of Section 309(j) of the) PP Docket No. 93-253
Communications Act - Competitive Bidding)
Broadband PCS)
)
Auctioning of F Block Licenses)

DOCKET FILE COPY ORIGINAL

COMMENTS

PCS PRIMECO, L.P. ("PRIMECO")¹ hereby submits these comments in response to the Commission's Public Notice, dated December 23, 1994, requesting comment on the auction of the F Block broadband PCS licenses.² For the reasons discussed herein, PRIMECO urges the Commission to auction the F Block licenses separately and after the D and E Block licenses are auctioned. Separate auctions will facilitate and expedite auction administration and competitive PCS service deployment. Moreover, separate auctions will further promote economic opportunities for designated entity ("DE") bidders for the F Block licenses.

Simultaneous multi-round license bidding promotes a number of significant values but does involve administrative complexity.³ The Commission has recognized the need to

¹ PRIMECO is a limited partnership comprised of PCSCO Partnership (owned by NYNEX PCS, Inc. and Bell Atlantic Personal Communications, Inc.) and PCS Nucleus, L.P. (owned by AirTouch Communications, Inc. and U S WEST, Inc.). PRIMECO currently is a bidder in the broadband Block A and B PCS license auction.

² See Public Notice, 490017 (released December 23, 1994) ("PN").

³ See Second Report and Order, PP Docket No. 93-253, 9 FCC Rcd. 2348, 2363-65 (1994) ("Second R&O").

No. of Copies rec'd
List ABCDE

049

balance the “informational and bidding flexibility advantages of simultaneous multiple round auctions with the greater cost and complexity of running such auctions.”⁴ Thus, the Commission has stated its intention to select bidding procedures that are “not overly complex relative to the task that they are meant to accomplish and which ensure that the full range of qualified bidders have access to the process.”⁵ PRIMECO submits that these important considerations favor separate auction of the F Block licenses.

The Commission and bidders have already gained valuable first-hand experience concerning auction requirements, based on the narrowband PCS auctions and the ongoing auction of the A and B Block MTA licenses. This experience strongly suggests that the simultaneous auctioning of 1,479 BTA licenses will undermine the auction process by greatly increasing the complexity, costs and duration of the auction for the FCC and bidders.

As a current bidder in the MTA auction of 99 licenses, PRIMECO has found the auction process complicated, but manageable. Bidders must compile and process extensive bidding data each round (tracking the activity of multiple bidders and markets). Moreover, bidders must consider the interdependence of market licenses. The clustering of potential markets and value determinations associated therewith involves the simultaneous consideration of many markets in multiple combinations. Further, after each bidding round has ended and the data have been analyzed, internal management discussions must be held to determine future actions -- both with respect to ongoing and prospective PCS auction activity.⁶

⁴ Id. at 2366.

⁵ Id. at 2361.

⁶ Even with a relatively few bidders and markets, these tasks have proven to be time-consuming and complex. For this reason, a number of MTA license bidders
(continued...)

Clearly, the necessary data compilation and analysis process would become exponentially more complex, costly and daunting if 1,479 BTA licenses were auctioned simultaneously. In addition, combining DE and non-DE Block licenses in one auction will require certain bidders to pursue extensive parallel bidding activities (and discussions) at once -- as to both DE and non-DE Block license interests. This will add enormously to the complexity and time requirements of auction participation.

The requirements associated with an auction of this many licenses at once will also cause an excessive, negative burden upon Commission resources and personnel. Auction administration activities and the accurate processing and compilation of auction data will become much more difficult and expensive, based on the sheer numbers involved. Indeed, with the F Block eligibility restrictions added to the mix, the potential complexities of a D, E and F Block combined auction are mind-boggling.⁷

Moreover, the Commission has itself recognized that separate auctions may reduce the length of each auction and foster more rapid deployment of competitive PCS services. In fact, the Commission's decision to separate the C and F Blocks and thereby "reduc[e] the number of licenses to be auctioned at the same time" was based in part on its view that this

⁶ (...continued)

expressed concern when the FCC decided to move from one to two bidding rounds per day; an FCC proposal to add a third bidding round each day raised even stronger objections from bidders.

⁷ In this regard, the A, B and C Block auctions will likely primarily involve "horizontal" integration strategies, i.e., licenses being integrated along geographic borders. Combining the D, E and F Block licenses in one auction will result in both horizontal and vertical integration strategies -- some parties will be trying to combine the D, E and F licenses within a geographic market to create a single 30 MHz license while others will be trying to combine any one of the D, E or F licenses over several markets to create one regional 10 MHz license. Again, a combined D, E and F Block auction adds enormous complexities for all bidders.

action would likely "shorten the duration of the C block auction."⁸ Based on this same sound logic, the proposed simultaneous auction of 1,479 D, E and F Block licenses should clearly be rejected. With respect to the ongoing MTA auction of 99 licenses, there have been, to date, 28 days of auctions and 50 rounds of bidding. The MTA auction is still in its second stage, and multiple additional rounds are likely. Clearly, based on the complexities discussed above, auctioning 1,479 BTA licenses at once could well lead to an interminably long auction.⁹ By contrast, auctioning the F Block licenses separately from the D and E Block licenses will likely allow each auction to be concluded more expeditiously, to the public's benefit.

Finally, the separate auction of the F Block licenses will also likely increase economic opportunities for DE applicants. The Commission has designed its PCS rules and procedures to maximize the ability of DEs to "compete in the auction process and in the provision of [PCS] service."¹⁰ To this end, the Commission has sought to design the auctions to foster DE participation by "enabling designated entities to more easily attract partners."¹¹ Many potential investors in DEs will likely bid for the non-DE restricted D and E Block licenses. These potential investors will not want to pursue arrangements with designated entities (for the F Block license auction) if such actions would in any way compromise their ability to bid on the D

⁸ PN at 490018 ("Our auction experience indicates that as the numbers of bidders and licenses in a simultaneous multiple round auction increase, the length and complexity of the auction also increases.").

⁹ A long auction will be particularly burdensome on small business and entrepreneurs interested in only a small subset of market licenses. These entities will be required to maintain, on an ongoing basis, the resources to participate in this complex and extremely lengthy process -- without regard to their more limited license interests.

¹⁰ Second R&O at 2387.

¹¹ Fifth Report and Order, PP Docket No. 93-253, 9 FCC Rcd. 5532, 5547 (1994).

and E Block licenses because of anti-collusion concerns. Thus, auctioning the D and E and the F Block licenses separately will foster greater bidding discussions and consortia arrangements between DE applicants and non-DE investors. Also, the F Block licenses will become more valuable and critically strategic to many A, B, C, and D and E Block license winners, many of whom could become an attractive strategic partner for F Block license applicants.¹² Thus, the separate subsequent auction of the F Block licenses will facilitate DE investment opportunities.

In conclusion, PRIMECO commends the Commission on its handling of the PCS auctions, to date. The narrowband and broadband MTA auctions have functioned smoothly and with few problems. By these comments, PRIMECO seeks to ensure that the remaining PCS auctions are also successful and concluded expeditiously. As discussed herein, PRIMECO believes that auctioning 1,479 BTA licenses in one auction will undermine the auction process

¹² This result is particularly likely in those markets where the D and E Block licenses are combined to create 20 MHz licenses.

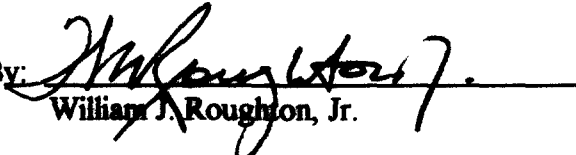
and create undue complexity, costs and risks -- for all concerned. Accordingly, the FCC should separately auction the F Block licenses after the D and E Block license auction is completed.

Respectfully submitted,

PCS PRIMECO, L.P.

By Its Partners:

PCSCO Partnership

By: 
William J. Roughton, Jr.

Bell Atlantic Personal Communications, Inc.
1310 North Courthouse Road, 5th Floor
Arlington, VA 22201
(703) 351-4541

PCS Nucleus, L.P.

By: 
Kathleen Q. Abernathy

AirTouch Communications, Inc.
1818 N Street, N.W., Suite 800
Washington, D.C. 20036
(202) 293-4960

January 25, 1994